

Cooperative Extension Service**CTAHR**College of Tropical Agriculture & Human Resources
University of Hawaii at Manoa**Financial Connections****June 1998****FC-27**

How to Give Yourself More Credit

The eighth wonder of the world

It may be discovered 100 years from now that the eighth wonder of the world was the credit card. Not even in biblical times could common folk turn one small fish into one great luau. Nowadays, few miracles are beyond the reach of plastic's power.

Credit is indeed a blessing. It provides us with convenience in making purchases, good records of our purchases, and ready reserves to handle financial emergencies. However, the value of credit is directly linked to our ability to use it wisely. Below are some suggestions for using credit wisely and increasing its value for you.



often, one purchase leads to a stream of related expenses. The time to say no is before the first one is made.

Avoid using credit to make ends meet

If you are regularly using credit to make ends meet, your budget probably needs an overhaul. To make things right, you could cut back a little bit on a number of expenses. However, you

may need to make a more drastic change in one or two major expense categories. Often, a too-expensive car, hobby, or habit needs to be dealt with to correct a seriously unbalanced budget.

Plan your use of credit

Planning your use of credit helps you to avoid trouble. For example, set rules for how and when you will use credit—and stick to them. If you are going to use credit as a shopping convenience, make sure you spend only as much as you would with cash and pay off the entire balance monthly. Doing so avoids expensive finance charges and keeps your spending practices disciplined and healthy.

Know what you can afford

What you can afford is not just what you can purchase with cash or credit. Rather it is what you can purchase without undue strain on your current and future budgets. Every dollar that goes toward paying past credit purchases is one less dollar available for current and future purchases. Credit gobbles future income and your ability to take care of future needs and wants.

Determine total costs

Before you make a purchase on credit, be sure to add up all of the related costs. A monthly credit payment of \$350 may look affordable at first glance, but can you afford the related expenses necessary to use, maintain, store, insure, or enjoy this and your other possessions? Too

Use installment loans

If you need to borrow money to make purchases or pay off credit balances, consider an installment loan from a credit union, saving and loan, or bank. The finance charges will almost certainly be less than for a credit card loan, and the installment payments will help to ensure the loan is paid off in a timely manner.

Maintain a healthy reserve

Credit can be viewed as an amount or sum placed at our disposal by a lender. It is a financial reserve ready for our use. Once we use it, it becomes debt. And those who use more than they can hope to repay are said to be bankrupt. One way to avoid bankruptcy is to maintain a healthy credit reserve. When you see your reserve dwindling, build it back up again before using more. This will keep your budget financially sound and give you all the credit you both need and deserve.

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